Statutory Accounting Principles (E) Working Group

**Maintenance Agenda Submission Form**

**Form A**

## **Issue: *ASU 2020-02—Amendments to SEC Paragraphs in Credit Losses (Topic 326) and Leases (Topic 842)***

**Check (applicable entity):**

 P/C Life Health

Modification of Existing SSAP [x]  [x]  [x]

New Issue or SSAP [ ]  [ ]  [ ]

Interpretation [ ]  [ ]  [ ]

Description of Issue:

FASB issued *ASU 2020-02, Financial Instruments—Credit Losses (Topic 326) and Leases (Topic 842), Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 119 and Update to SEC Section on Effective Date Related to Accounting Standards Update No. 2016-02, Leases (Topic 842)*, which effects the codification in Credit Losses (Topic 326) and Leases (Topic 842). The update provides a new SEC section in Topic 326 that clarifies reporting for SEC registrants and updates the effective date for these provisions, and the updates to Topic 842 update the effective dates for the new lease guidance for SEC reporting companies.

Existing Authoritative Literature:

Credit Losses (Topic 326) while not yet addressed, is being actively monitored by the Working Group.

Leases are covered in *SSAP No. 22R—Leases.* Basic discussion of the nature of assets, and specifically admitted assets, is covered in *SSAP No. 4—Assets and Nonadmitted Assets*.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): The Working Group adopted substantive revisions to create SSAP No. 22R, which brings in language from Topic 842 but retains the operating lease treatment for statutory accounting.

**Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:**

None

**Convergence with International Financial Reporting Standards (IFRS):**

The leases project began as a joint project with the IASB and many of the requirements in Topic 842 are the same as the requirements in IFRS 16.

Staff Recommendation: NAIC staff recommends that the Working Group move this item to the active listing, categorized as nonsubstantive, and expose revisions to *Appendix D—Nonapplicable GAAP Pronouncements* to reject *ASU 2020-02, Financial Instruments—Credit Losses (Topic 326) and Leases (Topic 842), Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 119 and Update to SEC Section on Effective Date Related to Accounting Standards Update No. 2016-02, Leases (Topic 842)* as not applicable to statutory accounting.

This item is proposed to be rejected as not applicable as ASU 2020-02 is specific to deletion of SEC paragraphs, which are not applicable for statutory accounting purposes.

Staff Review Completed by: Jake Stultz – February 2020

Status:

On March 18, 2020, the Statutory Accounting Principles (E) Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed revisions to *Appendix D—Nonapplicable GAAP Pronouncements* to reject *ASU 2020-02—Amendments to SEC Paragraphs in Credit Losses (Topic 326) and Leases (Topics 842)* as not applicable for statutoryaccounting. This item has a shortened comment period ending May 1, 2020.

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